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FM AMEMBASSY VIENNA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1996
INFO RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDC/USDOC WASHDC PRIORITY
RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEAIIA/CIA WASHDC PRIORITY

UNCLAS VIENNA 000042

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USDOC PASS TO OITA
USDOC FOR 4212/MAC/EUR/OWE

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STATE FOR EUR/RUS, EUR/UMB, EUR/ERA, EUR/AGS, EB/ESC

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ENRG](#) [EPET](#) [PREL](#) [PGOV](#) [AU](#)

SUBJECT: AUSTRIAN RAIFFEISEN IN THE MIDDLE OF RUSSIA-
UKRAINE GAS DEAL

REF: VIENNA 0041

¶1. According to Austrian and international media reports, the Austrian Raiffeisen Investment Group (RIAG), a subsidiary of Raiffeisen Zentralbank (RZB), played a pivotal role in the Russian-Ukrainian gas deal. At the core of the deal (reportedly) is an arrangement for the Ukrainian Naftogaz company to purchase gas from the trading company "Rosukrenergo." Created in 2004, this firm is said to be a joint venture between Gazprom and RIAG to facilitate the transfer of gas to Ukraine. For tax reasons, the company is registered in Switzerland. Rosukrenergo reportedly will buy gas for \$230 per 1000 cubic meters from Russia and for approximately \$50 from Turkmenistan and other Central Asian countries. It will then be in a position to sell gas for \$95 to Ukraine.

¶2. RZB spokesman Andreas Ecker confirmed that Ukrainian contacts had asked the bank to mediate a solution. Raiffeisen, along with a handful of other western banks, has a strong presence in Russia and Ukraine (as well as the rest of Central and Eastern Europe). Wolfgang Putschek, a member of RIAG's managing board, said in a press release that the "neutral image of RIAG in Eastern Europe" has been a main reason for the acceptance of Rosukrenergo's offer. Putschek specifically denied media speculation that RIAG is only a placeholder within the joint venture for the Ukrainian government or another investor. According to Putschek, Rosukrenergo will be floated on the stock exchange or sold to a "strategic investor" by June 2007.

¶3. Comment: The media-reported rumors that RIAG is acting as a front for others are of undetermined veracity. Embassy will continue to report on the gas deal as further details emerge.

KILNER